

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
December 9, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on December 9, 2002 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Elzie Higginbottom and Members Ira Rogal, Tobias Barry, Violet Clark, and Gary Peterlin.

Chairman Higginbottom convened the December 9, 2002 Regular Meeting at 9:35 A.M. in the 3rd floor Board Conference Room. Member Rogal moved that **pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, the Board retire to Closed Session to discuss the items listed under Closed Session on today's (December 9, 2002) agenda and relating to the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Clark seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The Board convened its Open Session at 1:20 P.M.

Approval of Minutes

Member Rogal moved that **the Board approve the following closed session minutes of the Illinois Gaming Board:**

- **Closed Session Minutes:**
 - **Regular Meeting of November 19, 2002**

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Member Rogal moved that **the Board approve the following open session minutes of the Illinois Gaming Board:**

- **Open Session Minutes:**
 - **Regular Meeting of November 19, 2002**

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

Chairman Higginbottom congratulated Member Clark, Member Peterlin, and Member Dugan on their recent appointment and confirmation by the Illinois Senate. Chairman Higginbottom announced that Member Dugan was unable to attend today's meeting but that he would be at the meeting on January 21, 2003. Chairman Higginbottom announced that Member Dugan is the President of Local 150, Operating Engineers. Chairman Higginbottom stated that Member Dugan comes to the Board with a wealth of knowledge, and Chairman Higginbottom stated that he looks forward to working with Member Dugan.

Chairman Higginbottom announced that the Gaming Board held a Special meeting on December 3, 2002 at Harrah's Casino in Joliet. Chairman Higginbottom stated that the meeting was conducted to introduce the Board to ticket voucher technology by representatives from IGT, Aristocrat, and Bally Gaming, Inc. Chairman Higginbottom stated that the demonstrations were very informative. Chairman Higginbottom stated that Staff is working on draft rules regarding the ticket voucher technology. Chairman Higginbottom encouraged all licensees and members of the public to submit written comments regarding the draft rules. Chairman Higginbottom encouraged additional suppliers who would like to get involved in the ticket voucher technology to submit their comments.

Chairman Higginbottom stated that Administrator Parenti and Robert Shapiro, IGB Counsel, would be updating the public on the status of Emerald Casino, Inc. Chairman Higginbottom stated that in August of 2002, the Board reached a settlement agreement with Emerald that the Board thought that was satisfactory to both parties. Chairman Higginbottom stated that the Board expects to live up to its part of the settlement agreement, and the Board expects

Emerald to live up to its part. Chairman Higginbottom stated that Emerald is in bankruptcy and that the Board has to follow the rules of the U.S. Bankruptcy Code. Chairman Higginbottom stated that the Board wants to keep the public informed because this is an open and competitive process, which is one of the ways that the Board continues to maintain the public's confidence in the integrity of gaming.

Administrator's Report

Administrator Parenti discussed the issue of due diligence. Administrator Parenti stated that Staff has received due diligence plans from all nine casinos. Administrator Parenti stated that Staff believes that all of the plans conform to the outline that Staff set forth at the General Manager's meeting last Summer. Administrator Parenti stated that with the due diligence plans, and with the industry complying with their plans and asking the right questions, Staff should not encounter background check problems or other problems that have been experienced in the past. Administrator Parenti stated that all of the plans submitted seem to be geared towards vendor and subcontractor information. Administrator Parenti stated that as discussed in the General Manager's meeting, due diligence plans should include provisions for major transactions such as asset acquisitions, joint ventures, and mergers and partnerships. Administrator Parenti stated that Staff originally proposed a \$50,000 threshold to activate any specific due diligence plan. Administrator Parenti stated that Staff has listened to the comments made by the industry, and Staff has concluded that given the number of contracts a \$100,000 threshold would seem more appropriate.

Board Policy Items

2003 BOARD MEETING DATES – Member Peterlin moved that the board adopt the following dates for its regulatory meeting agenda for the calendar year 2003.

**January 21, 2003
February 25, 2003
March 18, 2003
April 15, 2003
May 15, 2003
June 17, 2003
July 15, 2003
August 12, 2003
September 9, 2003
October 7, 2003
November 18, 2003
December 9, 2003**

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

TICKET VOUCHERING TECHNOLOGY – DISCUSSION OF PROPOSED

RULEMAKING - Deputy Chief Legal Counsel, Jeannette Tamayo, provided the Board with a brief overview of the ticket vouchering technology. Ms. Tamayo stated that Staff is proposing that the Board either modify or adopt 27 new rules to implement ticket vouchering technology. Ms. Tamayo stated that the rules fit into three major categories: (1) the mechanism for actually accomplishing the technology; (2) accountability; and (3) patron use.

Ms. Tamayo briefed the Board with detailed information regarding the new rules and the amendments to the existing rules.

Ms. Tamayo stated that the following rules would be amended: Rules 3000.100, 3000.140, 3000.165, 3000.200, 3000.210, 3000.270, 3000.272, 3000.280, 3000.320, 3000.600, 3000.635, 3000.636, 3000.640, 3000.655, 3000.660, 3000.665, 3000.666, 3000.670, 3000.756, 3000.770, 3000.800, 3000.1010, 3000.1050, 3000.1060.

Ms. Tamayo stated that based on the Board's approval, the following rules would be adopted: Rule 3000.272, which deals with certification and registration of voucher systems; Rule 3000.285, which deals with registration of voucher validation terminals; Rule 3000.661, which deals with minimum standards for voucher systems; Rule 3000.667, which deals with the integrity of voucher systems; and Rule 3000.671, which deals with computer monitoring requirements of voucher systems.

Ms. Tamayo provided the Board with a summary of the draft rules, the text of the draft rules, and a comparison of the draft rules to other gaming jurisdictions' rules.

Ms. Tamayo stated that Staff would be meeting with the ticketing committee of the Illinois Casino Gaming Association and share with them the text of the rules and explain the philosophy and logic behind the rules. Ms. Tamayo asked that any public comments pertaining to the rules be submitted to Ms. Tamayo by January 10, 2003 so that Staff would have an opportunity to review the comments and make any recommendations to the Board at the January 21, 2003 meeting.

Member Peterlin complimented Ms. Tamayo on compiling all of the information provided during her presentation.

Chairman Higginbottom stated that the process that the Board is following, with regards to the ticket vouchering rules, allows for everyone to participate in the process. Chairman Higginbottom welcomed any comments by the public regarding the proposed rules.

Member Peterlin moved that **the Board direct staff to circulate the revisions to or new Rules 3000.100, 3000.140, 3000.165, 3000.200, 3000.210, 3000.270, 3000.272, 3000.285, 3000.320, 3000.600, 3000.635, 3000.636, 3000.640, 3000.655, 3000.660, 3000.661, 3000.665, 3000.666, 3000.667, 3000.670, 3000.671, 3000.756, 3000.770, 3000.800, 3000.1010, 3000.1050, 3000.1060 for public comment prior to seeking the Board's Approval for filing the rule for First Notice with the Secretary of State.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Owner Licensee Items

PENN NATIONAL – REQUEST FOR ACQUISITION/MERGER OF HOLLYWOOD CASINO – Kevin DeSanctis, President and Chief Operating officer of Penn National, was present on behalf of Penn National to request initial consideration for a request for acquisition/merger of Hollywood Casino. Mr. DeSanctis provided the Board with a brief overview of Penn National's business. Mr. DeSanctis stated that Penn National is a gaming company that started as a racing company. Mr. DeSanctis stated that Penn National is currently licensed in seven jurisdictions and that it owns and operates six gaming properties. Mr. DeSanctis stated that Penn National made its transition from a racing company to a gaming company in 1997. Mr. DeSanctis stated that from that point forward the focus of the company has changed dramatically and that, through various acquisitions, Penn National began operating and managing full-scale casinos in competitive gaming markets. Mr. DeSanctis stated that Penn National's proposed transaction with Hollywood Casino would be Penn National's largest and, hopefully, most successful acquisition to date. Mr. DeSanctis stated that the acquisition of Hollywood Casino would dramatically increase the size and economic diversification of Penn National. Mr. DeSanctis stated that Penn National believes that Hollywood Casino is a great property because the market demographics are great and the management team is experienced, stable and have demonstrated good results. Mr. DeSanctis stated that Penn National anticipates no changes to the current management team and that Penn National would work with the existing management team to maintain and improve on the high standards that they have already established. Mr. DeSanctis stated that in terms of the general employed population, Penn National anticipates very little change, other than the transition to Penn National's Global Benefits program, which would probably take place 6-9 months post close of the transaction. Mr. DeSanctis stated that Penn National is highly motivated and eager to work with the Board and Staff in the application. Mr. DeSanctis stated that Penn National is very confident that Penn National would earn the Board's respect as a responsible gaming company.

Member Rogal asked what the status of Penn National's applications were in other jurisdictions where Hollywood owns casinos.

Mr. DeSanctis stated that Mississippi has approved the transaction and that Penn National is on the January 2003 agenda for Louisiana. Mr. DeSanctis stated that West Virginia has sent the proposal to its audit division to be evaluated and that Penn National anticipates being on West Virginia's agenda in January 2003.

HARRAH'S, JOLIET – MIKE FOLLENWEIDER, SECURITY MANAGER – LEVEL ONE – Karen Wosnack, Attorney, was present on behalf of Mike Follenweider to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Clark moved that **the Board approve Michael E. Follenweider as a Level 1 Occupational Licensee of Des Plaines Development Limited Partnership d/b/a Harrah's Casino Cruises Joliet.** Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

HOLLYWOOD CASINO – MATTHEW RAMIREZ, INTERNAL AUDITOR – LEVEL ONE – Rodney Phillipe was present on behalf of Matthew Ramirez to request approval as a Level One.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve Matthew Ramirez as a Level 1 Occupational Licensee of Hollywood Casino Aurora, Inc.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licensee Items

PDS GAMING CORPORATION – LICENSE RENEWAL - Donna More, Attorney, was present on behalf of PDS Gaming Corporation to request approval for license renewal.

PDS GAMING CORPORATION – LICENSE RENEWAL - Based on the staff's investigation and recommendation, Member Clark moved that **the Board approve a restricted Supplier's license of PDS Gaming Corporation for a term of 1 year expiring December 2003 and impose the following condition:**

- 1. PDS shall file in a timely manner all appropriate quarterly reports.**

Further, based on the staff's investigation and recommendation, Member Clark moved that **the Board certify and approve the following positions and persons as Key Persons of the licensee:**

- 1. Chief Executive Officer;**
- 2. Chief Operating Officer/ President;**
- 3. John Paul Finley; and**
- 4. Peter Douglas Cleary.**

PDS is granted approval to supply the following to Illinois licensees:

- Financing and leasing options of electronic gaming devices and sell and/ or lease reconditioned electronic gaming devices.**
- Parts for electronic gaming devices authorized for sale by the Administrator pursuant to the Riverboat Gaming Act and the Illinois Gaming Board Adopted Rules.**
- Additionally each and every used electronic gaming device offered to Illinois casinos individually tested by an independent gaming laboratory designated by the Administrator.**

In the event that PDS fails to make an appropriate and timely request as specified in Board Rule 3000.405 for a hearing within 5 days of delivery of the written restriction of licensure, this action of the Board shall become the final action of the Board restricting the Suppliers license application for one year.

Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on staff's investigation and recommendation, Member Peterlin moved that **the Board approve 119 applications for an Occupational License Level 2 and 257 applications for an Occupational License Level 3.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

IN RE THE DISCIPLINARY ACTION OF: KIMBERLY R. JOHNSON NO. – DC-02-14 - Pursuant to Section 3000.1126(b), and based upon a review of Petitioner's written submission, Member Rogal moved that **the Board grant Kimberly R. Johnson's Motion to Disqualify Hearing Officer and issue a written order consistent therewith.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

DARRELL GORDON – REQUEST FOR ADMINISTRATIVE HEARING – Based on Staff's recommendation, Member Peterlin moved that **the Board deny the request for hearing of Darrell Gordon for failure to provide a *prima facie* basis for his hearing request and for failure to meet the requirements of Rule 3000.405 in his hearing request.** Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Litigation Matters

STATUS OF EMERALD CASINO, INC. –Philip Parenti, Administrator, and Robert Shapiro, counsel to the Board, provided the Board and the public with an update on the status of Emerald Casino, Inc.

Administrator Parenti stated that during the past Summer, Mr. Shapiro and himself announced a rather historic settlement agreement with Emerald. Administrator Parenti stated that the settlement agreement was designed to protect the integrity of gaming in Illinois; promote a fair, open and competitive process; and serve the financial interest of the people of Illinois. Administrator Parenti stated that the agreement requires that in addition to the open process, only certain Emerald corporate liabilities be paid from the sale, with the remainder to be paid to the State of Illinois. Administrator Parenti stated that the liabilities are approximately \$103 million, excluding lawsuits over a parking garage and partially built casino, which could be settled. Administrator Parenti stated that the agreement further required that investors only receive their investment back, approximately \$62.8 million, with no profit or even an interest rate of return on their investments. Administrator Parenti stated that after the open process runs its course, hundreds of millions of dollars should be left over for the State of Illinois, and when added to a potential \$150 million dollars per year in tax revenue, a very substantial sum could be generated for the State's dramatic deficit crisis. Administrator Parenti stated that the Village of Rosemont has sued individual Board members and himself, contending that the Board's open and competitive process is illegal and beyond the purview of the Riverboat Gambling Act and that Section 11.2 of the Act mandates that the license should go to Rosemont without the necessity of Illinois Gaming Board approval. Administrator Parenti stated that the Board obviously disagrees. Administrator Parenti stated that Rosemont also filed an Involuntary Bankruptcy petition to involuntarily place Emerald in bankruptcy because the Village of Rosemont claims Emerald owes Rosemont approximately \$44 million dollars for a parking garage and about \$2.4 million dollars for a partially built casino. Administrator Parenti stated that while all of Emerald's creditors are litigating in federal bankruptcy court, the State of Illinois is not a party. Administrator Parenti stated that, nevertheless, Emerald and its attorneys have previously committed to consult with the Gaming Board to ensure that the plan of reorganization meets regulatory requirements and tracks the settlement agreement so that the bankruptcy court judge can approve a plan acceptable to the Illinois Gaming Board's process. Administrator Parenti stated that after all applications are submitted from the gaming industry and presented by Emerald, the Illinois Gaming Board, in its sole discretion, will determine which applicants meet the requirements of the Riverboat Gambling Act and the Illinois Gaming Board Adopted Rules and serve to preserve the integrity of gaming in Illinois and protect the Illinois tax payers. Administrator Parenti stated that Emerald selected the investment banker Rothschild, Inc., which the Gaming Board has approved, to guide the sale of Emerald's business through the bankruptcy process.

Mr. Shapiro stated that serious concerns have arisen with respect to the settlement agreement. Mr. Shapiro stated that if those concerns are born out by later developments, the settlement agreement could be in serious jeopardy. Mr. Shapiro briefed the public with the character of the settlement, how it was established and the settlement's essential principals. Mr. Shapiro stated that the settlement was established because the Board had made a determination, which was embodied in the denial of a request for renewal and a disciplinary complaint, that Emerald Casino, Inc. had engaged in significant misconduct that warranted Emerald to be denied renewal of its license and that the license be revoked. Mr. Shapiro stated that the settlement agreement was an effort to resolve the controversy that resulted in the revoking of Emerald Casino, Inc.'s license. Mr. Shapiro stated the both sides, Emerald Casino, Inc. and the Gaming Board, engaged in negotiations designed to reach a settlement that would be acceptable to both parties. Mr. Shapiro stated that Emerald was proposing to the Gaming Board a settlement agreement and made a number of suggestions to the Board. Mr. Shapiro stated that ultimately the Board took up some of the suggestions and negotiated and reached an agreement that both sides voluntarily undertook to resolve the dispute. Mr. Shapiro stated that the settlement agreement had two fundamental principals at its core: (1) the settlement agreement would be a fair, open and competitive process; and (2) there would be no reward for anything perceived by the Illinois Gaming Board as wrongdoing. Mr. Shapiro stated that there was a certain byproduct of the two principals. Mr. Shapiro stated that after Emerald was sold, it was anticipated that there would be a significant amount of money left over to which Emerald voluntarily proposed that the money be paid to the State of Illinois to reimburse the State of Illinois for the monies that it had lost in the course of the dispute, which would, in addition, help with the State's budgetary problems. Mr. Shapiro emphasized that at the time that the settlement agreement was established, it was to be, and still is to be, an integrated whole, meaning that the settlement agreement should entail both principals, or no principals at all. Mr. Shapiro stated that if the settlement was to be a fair, open and competitive process it was to result in money coming in and being distributed in accordance with the provisions of the settlement agreement. Mr. Shapiro stated that likewise, if there was to be money coming in, it could occur only as a result of a fair, open and competitive process.

Mr. Shapiro stated that there has been two significant developments external to the settlement agreement since the settlement agreement was entered into last August: (1) the bankruptcy proceeding; and (2) The Village Rosemont stepped up its efforts to frustrate the settlement agreement by filing lawsuits against the Illinois Gaming Board and its members.

Mr. Shapiro talked about the bankruptcy proceeding, what impact it has had on the settlement agreement, and what developments have occurred. Mr. Shapiro stated that the obvious issue that arose once Emerald was adjudicated bankrupt was if Emerald would try to use the procedures of the bankruptcy court or the bankruptcy code to work its way around certain provisions of the settlement agreement. Mr. Shapiro stated that the Gaming Board immediately addressed the issue at the outset of the bankruptcy proceeding. Mr. Shapiro stated that the Gaming Board was reassured that Emerald would not try to avoid the strictures of the settlement agreement by way of the bankruptcy code. Mr. Shapiro stated that it has been important to the Board and Staff to carefully monitor the activities of

Emerald during the bankruptcy process. Mr. Shapiro stated that, unfortunately, some of the activities that have occurred during the course of the bankruptcy have led the Board and Staff to develop some significant concerns. Mr. Shapiro stated that the two principals mentioned earlier that were incorporated into the settlement agreement have seem to come under pressure. Mr. Shapiro stated that the bankruptcy court has a process that resembles the fair, open and competitive process that the Gaming Board anticipated; however, the fair, open and competitive process that the Gaming Board anticipated is one that is designed to implement the concerns of the regulatory structure. Mr. Shapiro stated that there has been an emerging sense that the process that is being undertaken as part of the bankruptcy proceeding is not as sensitive to the regulatory structure as is desirable.

Mr. Shapiro reminded the public that the Village of Rosemont is not excluded from the process nor is it guaranteed a casino. Mr. Shapiro stated that the Village of Rosemont has to compete with all of the other potential applicants to acquire Emerald, and the Village of Rosemont has to demonstrate its superiority from a regulatory standpoint, not just a monetary standpoint. Mr. Shapiro stated that some may feel that the Village of Rosemont has a better chance of getting a casino because it appears to some that the Village of Rosemont generates the most money; however, that particular reasoning is not sufficiently sensitive to the regulatory concerns.

As it relates to the second principal - that there would not be a reward for anything perceived as wrongdoing by the Board - Mr. Shapiro stated that the way in which the principle comes up in the bankruptcy proceedings is through the reorganization plan. Mr. Shapiro stated that in the reorganization plan, Emerald sets out how the proceeds of any sale would be distributed among the various interested parties. Mr. Shapiro stated that the Board has been very insistent with Emerald in that Emerald provides the plan on an expedited basis, which is what the settlement agreement provides for in Section 18. Mr. Shapiro stated that Emerald has been asked repeatedly for the reorganization plan. Mr. Shapiro stated that the Gaming Board has not received the reorganization plan and, therefore, the Gaming Board has concerns that Emerald does not intend to present a reorganization plan that would restrict the distribution of the proceeds in a way anticipated by the settlement agreement. Mr. Shapiro stated that in recent communications with Emerald, the Gaming Board has had additional reasons for concern. Mr. Shapiro stated that the question that is now raised is whether Emerald is now seeking more money for certain other interested parties and, in particular, the controlling shareholders, the Flynns. Mr. Shapiro stated that if that is the case it would be a significant departure from the settlement agreement, which would suggest a violation of the settlement agreement. Mr. Shapiro stated that the Gaming Board does not have certain information regarding this matter and that it was impressed upon Emerald the need to address these concerns. Mr. Shapiro stated that time is of the essence due to the fact that the plan should be approved by next week.

Mr. Shapiro briefly discussed the lawsuits filed by the Village Rosemont against the Illinois Gaming Board and its members. Mr. Shapiro stated that he is pleased to say that so far in every instance in which the matter has come to a head, the Gaming Board has been successful in sustaining its position over that of the Village of Rosemont. Mr. Shapiro stated

that at the time of the settlement agreement Rosemont was invited to join in the process. Mr. Shapiro stated that he suggested at that time that if Rosemont truly believed that it was the best location for the casino, they would be able to demonstrate that in the course of a fair, open and competitive process. Mr. Shapiro stated that there has been indications that the Village of Rosemont wants to participate in the process. Mr. Shapiro stated that there have been statements made that the Village of Rosemont may in fact make a proposal, together with an appropriate entity, for the entity to acquire Emerald and that the casino would then be located in Rosemont. Mr. Shapiro stated that in the course of doing that, the Village of Rosemont has not expressed any willingness to try to settle the litigation with the Illinois Gaming Board. Mr. Shapiro stated that if the Village of Rosemont is going to participate in the process, what need would there be for litigation to continue as to whether the settlement agreement is the right one or not. Mr. Shapiro stated that the Village of Rosemont has not expressed any interest in resolving litigation. Mr. Shapiro stated that he has found no such basis to settle because he has not found a party that seems to be interested in discussing that possibility. Mr. Shapiro stated that to date, the Gaming Board has been successful relating to the Village of Rosemont's litigation and that the Gaming Board anticipates continued success.

Mr. Shapiro stated that he believes that it is appropriate for Emerald to come forward as promptly as it can to address the concerns by the Gaming Board so that the settlement agreement could be implemented in accordance with its original intent.

Member Clark asked if Emerald has filed any documents to evidence their intent to comply with the settlement agreement.

Mr. Shapiro stated that Emerald has taken some steps that are consistent with the provisions of the settlement. Mr. Shapiro stated that in regards to the larger issue, as it relates to what the process is going to look like and how the proceeds of the sale of Emerald are going to be distributed, Emerald has not made any filings that would address the Gaming Board's concerns.

Member Rogal asked about the fees for the investment banker.

Administrator Parenti stated that there is a graded scale up to 2%.

Member Rogal stated that Emerald already had an investment banker and that Emerald went through this process before and that the Board rejected it.

Mr. Shapiro stated that Emerald has been down this road before in the Summer of 2000. Mr. Shapiro stated that Emerald tried to go through the process without consulting the Board and that, for that reason, the Board did not approve it.

Member Rogal asked if Emerald filed a status report in bankruptcy court that provided dates by which they would have the plan of reorganization filed.

Mr. Shapiro stated that in late September or early October, 2002, Emerald filed a status report and predicted that it would file a bankruptcy plan of reorganization sometime towards the beginning of November 2002. Mr. Shapiro stated that a bankruptcy plan of reorganization was not filed and that Emerald's reason for not filing the plan was because it did not have its investment banker "on board" at that time. Mr. Shapiro stated that Emerald's investment banker was approved by the board in the middle of November 2002; nevertheless, the Board still has not received even so much as a draft of the bankruptcy reorganization plan.

Member Rogal stated that he is concerned about the entire Emerald process. Member Rogal stated that the settlement agreement that was reached provided that the sale be approved by the Board, in its sole discretion, and that all aspects of the marketing process be subject to prior approval of the Board. Member Rogal stated that he does not feel that Emerald has been complying with the requirements of the agreement. Member Rogal stated that Emerald stands accused in the administrative disciplinary proceedings of repeatedly lying to the Board. Member Rogal stated that Emerald has also been accused of misleading everyone from its own investors to Marvin Davis. Member Rogal questioned whether Emerald could possibly act in good faith. Member Rogal stated that Emerald's conduct to date is unacceptable.

Chairman Higginbottom stated that as Chairman to the Board, he would be willing to sit with Emerald to review the settlement agreement and explain any issues that Emerald might not understand. Chairman Higginbottom stated that the Board would like to conclude the settlement agreement process, with Emerald living up to the agreement that they entered into with the Board.

At 11:40 A.M. Member Clark moved that the Board adjourn. Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

Respectfully submitted,
Monica Thomas

Secretary to the Board